

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 05599 151326Z

53

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

XMB-02 /103 W

----- 079920

R 142300Z AUG 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4384

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

USDEL MTN GENEVA

LIMITED OFFICIAL USE SANTIAGO 5599

EO 11652: N/A

TAGS: ETRD, ECIN, CI

SUBJECT: GOC ANNOUNCES MAJOR TARIFF CUTS

1. SUMMARY: GOC ANNOUNCED ON AUGUST 14 MAJOR MODIFICATION OF TARIFF STRUCTURE. MOST TARIFFS WERE SLASHED AND MAXIMUM TARIFF LEVEL (WITH FEW EXCEPTIONS) WAS REDUCED FROM 120 TO 80 PERCENT AD VALOREM. FURTHER SIGNIFICANT PROGRESS TOWARD RATIONALIZING TARIFF SYSTEM PRESUMABLY WILL DEPEND ON ACCOMMODATING ANDEAN PACT PARTNERS TO CHILE'S OPEN MARKET VIEWS. IMMEDIATE IMPACT ON AGGREGATE IMPORTS LIKELY TO BE SMALL DUE TO COMBINATION OF CIRCUMSTANCES INCLUDING OFFSETTING EXCHANGE RATE ADJUSTMENTS. END SUMMARY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 05599 151326Z

2. IN DECREE 455, PUBLISHED AUGUST 13, 1975, GOC REDUCED AD

VALOREM IMPORT DUTIES ON ALL BUT A FEW ITEMS IN TARIFF CODE.
TARIFF RATES NOW VARY WITHIN RANGE OF 5-90 PERCENT AD VALOREM,
VICE PREVIOUS 0-120 PERCENT LEVEL.

3. TARIFFS ON MOST AGRICULTURAL AND INDUSTRIAL CATEGORIES
WERE LOWERED FROM 60-100 PERCENT TO 40-60 PERCENT RANGE;
INTERMEDIATE GOODS SUCH AS PAPER AND RELATED ITEMS FROM 50-120
PERCENT TO 20-50 PERCENT RANGE; RAW MATERIALS FROM 0-120 PERCENT
RANGE TO 5-25 PERCENT. MOST TEXTILE TARIFFS WERE REDUCED FROM
120 TO 65 PERCENT AND MOST CAPITAL GOODS TARIFFS FROM 120
TO 80 PERCENT. SIGNIFICANT CUTS ALSO MADE IN MOST DURABLE GOODS'
TARIFFS ALTHOUGH DIFFICULT TO QUANTIFY AVERAGE SIZE DUE TO
NUMBER OF GOODS IN THIS CATEGORY AND VARYING IMPORTANCE.
SOME GOODS SUCH AS REFRIGERATORS, STOVES AND LINGERIE WERE NOT
REDUCED SINCE CHILEAN TARIFFS ON THESE GOODS WERE AT LOWEST
LEVEL PERMITTED BY ANDEAN PACT.

4. RATIONALE FOR MEASURE IS TO OPTIMIZE RESOURCE ALLOCATION
THROUGH LOWER TRADE BARRIERS AND MORE UNIFORM SYSTEM FOR
PROTECTING LOCAL PRODUCTION. TARIFF REDUCTION POLICY STARTED
IN 1974 AND OBJECTIVE IS TO LOWER TARIFF TO MAXIMUM 60 PERCENT
LEVEL IN 1977. VP OF CENTRAL BANK (BARDON) COMMENTED THAT IN
PAST SPECIAL INTERESTS HAD PREVENTED ESTABLISHMENT OF RATIONAL
TARIFF STRUCTURE. IT IS ASSUMED THA IMPOSITION OF 5 PERCENT
TARIFFS ON CERTAIN RAW MATERIALS PREVIOUSLY EXEMPT, WHICH
WOULD HAVE MINIMAL COMMERCIAL IMPACT, WAS INTENDED TO
DEMONSTRATE A MORE COMPRESSED AND THEREFORE MORE RATIONAL
TARIFF STRUCTURE.

5. COMMENT: WITH THESE LATEST REDUCTIONS THE GOC HAS PUYRED
MOST CHILEAN TARIFFS DOWN TO ANDEAN PACT MINIMUM TARIFF LEVEL.
FURTHER REDUCTIONS PRESUMABLY WILL BE DEPENDENT ON GOC'S
SUCCESS IN PERSUADING OTHER ANDEAN PACT COUNTRIES THAT HIGH
TARIFF WALLS ARE NOT NECESSARY FOR ANDEAN ECONOMIC INTEGRATION.
TIMING OF THIS MEASURE MAY HAVE BEEN INFLUENCED BY GOC DESIRE
TO STRENGTHEN NEGOTIATING POSITION WITH ANDEAN PARTNERS ON
ANDEAN PACT TARIFF WALLS.

6. ALTHOUGH MAGNITUDE OF TARIFF CUTS IS SUBSTANTIAL, IMMEDIATE
TRADE IMPACT OF THESE MEASURES WILL PROBABLY BE MINOR, SINCE:
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTI 05599 151326Z

(A) SOME TARIFFS, SUCH AS REFRIGERATORS, REMAIN AT PROHIBITIVELY
HIGH LEVEL; (B) DOMESTIC DEMAND HAS RETRENCHED IN RECENT
MONTHS TO LEVEL AT WHICH MARGINAL IMPACT OF LOWER TARIFFS ON
IMPORT DEMAND IS SMALL; (C) GOC CAN BE EXPECTED TO ADJUST
EXCHANGE RATE TO MAINTAIN AGGREGATE IMPORT LEVEL PRETTY
MUCH WHERE IT WAS, THUS NEUTRALIZING BOP IMPACT.

7. LOWERING TARIFFS WILL ALSO TEND TO PUT DOWNWARD PRESSURE

ON PRICES MANY DOMESTIC GOODS AT TIME WHEN GOC IS EAGER TO SHOW
PROGRESS IN CONTROLLING INFLATION.

8. IN ADDITION TO ELIMINATING ECONOMIC DISTORTIONS THROUGH
COMPRESSING MOST TARIFF RATES WITHIN NARROWER RANGE, GOC IS
ALSO OPTIMISTIC THAT LOWER TARIFFS, PARTICULARLY ON INTERMEDIATE
GOODS IMPORTS, WILL LOWER COSTS OF CERTAIN INPUTS, AND CREATE
A MORE COMPETITIVE ENVIRONMENT. BOTH OF THESE SHOULD HELP TO
SPUR CHILEAN EXPORTS. REALISTIC EXCHANGE RATE POLICIES, MORE
FAVORABLE TAX TREATMENT (ESPECIALLY THE DRAWBACK SYSTEM), AND
EARLIER TARIFF CUTS HAVE GIVEN A STRONG IMPULSE TO NON-
TRADITIONAL EXPORTS AND SERVED TO SPARK INTEREST IN EXPORTING
AMONG CHILEAN BUSINESSMEN, CONTRIBUTING TO ACHIEVEMENT GOC
LONGER TERM GOAL DEVELOPMENT OF EXPORT-ORIENTED ECONOMY.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFF LIBERALIZATION
Control Number: n/a
Copy: SINGLE
Draft Date: 14 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANTIA05599
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750282-1088
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750852/aaaabtff.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2003 by CunninFX>; APPROVED <07 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOC ANNOUNCES MAJOR TARIFF CUTS
TAGS: ETRD, ECIN, CI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006